

HLV COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2015

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HLV COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

Laurel Hollopeter	President	2017
Jeff Cheney	Vice President	2015
Maria Hawkins	Board Member	2017
Connie Niemeyer	Board Member	2015
Amy Smith	Board Member	2015

School Officials

William Lynch	Superintendent
Orville Bloethe	District Secretary
Lori McClenathan	District Treasurer

Gary E. Horton CPA

902 Central Ave. E.-PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
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Independent Auditor's Report

To the Board of Education of
HLV Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of HLV Community School District, Victor, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of HLV Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 13 to the financial statements, HLV Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, Accounting and Financial Reporting for Pensions . an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 42 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise HLV Community School District's basic financial statements. We previously audited, in accordance with the standards referred in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 10, 2016, on our consideration of HLV Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering HLV Community School District's internal control over financial reporting and compliance.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

May 10, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The HLV Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the HLV Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the HLV Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which HLV Community School District acts solely as an agent or custodian for the benefit of those outside of the school.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net Position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Physical Plant and Equipment Levy Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District currently has four Enterprise Funds, the School Nutrition Fund, the Preschool Fund, the Student Constructed House Fund, and the Marketing Class Fund.

The required financial statements for proprietary funds include a statement of net position a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

- 3) **Fiduciary funds:** The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- **Private-Purpose Trust Fund** . The District accounts for outside donations for scholarships for individual students in this fund.
- **Agency Funds** . This fund was established in order for employees to donate money for flowers/balloons to be sent to employees in event of surgery, hospital stays, funeral, and new babies.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-1

	Condensed Statement of Net Position						Percentage Change
	Governmental		Business-type		Total		
	Activities		Activities		School District		
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	
	\$	\$	\$	\$	\$	\$	2014-2015
Current and other assets	5,070,350	4,930,923	(110,131)	(107,933)	4,960,219	4,822,990	3%
Capital assets	6,469,884	7,181,337	7,536	9,093	6,477,420	7,190,430	-10%
Total assets	11,540,234	12,112,260	(102,595)	(98,840)	11,437,639	12,013,420	-5%
Deferred outflows of resources	164,192	-	19,750	-	183,942	-	100%
Long-term liabilities	4,969,024	4,006,049	95,858	-	5,064,882	4,006,049	26%
Other liabilities	497,091	456,935	904	1,884	497,995	458,819	9%
Total liabilities	5,466,115	4,462,984	96,762	1,884	5,562,877	4,464,868	25%
Deferred inflows of resources	2,846,018	2,170,002	48,726	3,560	2,894,744	2,173,562	33%
Net Position:							
Net Investment in							
Capital assets	2,999,884	3,386,337	7,536	9,093	3,007,420	3,395,430	-11%
Restricted	1,683,508	1,765,793	-	-	1,683,508	1,765,793	-5%
Unrestricted	(1,291,099)	327,144	(235,869)	(113,377)	(1,526,968)	213,767	814%
TOTAL NET POSITION	3,392,293	5,479,274	(228,333)	(104,284)	3,163,960	5,374,990	-41%

The District's total net position decreased 41% from the prior year.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$82,285 or 5% from the prior year. The primary reason for the decrease is the pension liability.

Unrestricted net position . the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements . decreased \$1,740,735. This reduction in unrestricted net position was primarily a result of the District's pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions- and Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$1,843,300 and \$130,043, respectfully, to retroactively report the net pension liability as of June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the

amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-2 shows the change in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-2

Figure 12

	Change in Net Position						
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	454,883	574,215	145,798	169,801	600,681	744,016	-19%
Operating grants & contributions	594,128	572,537	77,103	70,585	671,231	643,122	4%
Capital grants & contributions	-	-	-	-	-	-	
General Revenues:							
Property taxes	2,183,960	2,146,738	-	-	2,183,960	2,146,738	2%
Income Surtax	176,203	184,778	-	-	176,203	184,778	-5%
Statewide sales and services tax	307,876	274,105	-	-	307,876	274,105	12%
Unrestricted state grants	1,232,653	1,054,808	-	-	1,232,653	1,054,808	17%
Unrestricted investment earnings	10,273	11,941	31	52	10,304	11,993	-14%
Other revenue	141,156	-	-	-	141,156	-	100%
Total Revenues	5,101,132	4,819,122	222,932	240,438	5,324,064	5,059,560	5%
Expenses:							
Instruction	2,800,644	2,490,963	-	-	2,800,644	2,490,963	12%
Support services	1,488,816	1,458,354	-	-	1,488,816	1,458,354	2%
Non-instructional programs	-	-	216,938	230,483	216,938	230,483	-6%
Other expenditures	1,055,353	725,013	-	-	1,055,353	725,013	46%
Total expenses	5,344,813	4,674,330	216,938	230,483	5,561,751	4,904,813	13%
CHANGE IN NET POSITION	(243,681)	144,792	5,994	9,955	(237,687)	154,747	-254%
Net position beginning of year, as restated	3,635,974	5,334,482	(234,327)	(114,239)	3,401,647	5,220,243	-35%
Net position end of year	3,392,293	5,479,274	(228,333)	(104,284)	3,163,960	5,374,990	-41%

Property tax and unrestricted state grants account for 64% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 77% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,101,132 and expenses were \$5,344,813. The District spent \$243,681 more than the available revenues.

- The net cost of governmental activities was financed with \$2,668,039 in property and other taxes and \$1,232,653 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$222,932 and expenses were \$216,938. The District's business type activities include the School Nutrition Fund, Preschool, Student House Construction and

the Marketing Project. Revenues for these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, HLV Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund Highlights

- The General Fund balance decreased from \$751,150 to \$556,460. Due to the negotiated salaries and benefits and existing expenditures commitment of the District.
- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Projects fund will be used for future capital improvements and equipment purchases.
 - The Physical Plant and Equipment Levy account balance decreased from \$501,699 at June 30, 2014 to \$437,929 at June 30, 2015.
 - The Statewide Sales Services and Use Tax account balance increased from \$341,092 at June 30, 2014 to \$501,099 at June 30, 2015.
- The Debt Service Fund balance increased from \$65,004 at the beginning of the year to \$130,767 at the end of the year.
- The Management Fund balance decreased from \$462,956 to \$432,099.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$(87,196) at June 30, 2014 to \$(60,910) at June 30, 2015.

Preschool Fund net assets decreased from \$(50,919) in 2014 to \$(71,248) in 2015.

The Student Construction Fund net position increased from \$(96,562) in 2014 to \$(95,893) in 2015.

The Marketing Project Fund net position decreased from \$350 in 2014 to \$(282) in 2015.

The District reflected the related expenses for the net OPEB liability, which caused an overall reduction of net position.

BUDGETARY HIGHLIGHTS

Over the course of the year, the HLV Community School District amended its annual budget one time increasing budgeted expenditures by \$354,400.

The District's receipts were \$175,386 more than budgeted receipts.

Total expenditures were \$810,193 less than budgeted. It is the District's practice to budget expenditures at sufficient levels in the 4 program areas, (instruction, non-instruction, support services and other), so that the District does not exceed spending limitations in any of these areas.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had 6,477,420, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-3) This represents a net decrease of 10% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements.

Figure A-3

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2015	2014	2015	2014	2015	2014	2014-2015
	\$	\$	\$	\$	\$	\$	
Land	10,000	10,000	-	-	10,000	10,000	0%
Buildings	6,476,611	6,905,437	-	-	6,476,611	6,905,437	-6%
Improvements	337,684	349,505	-	-	337,684	349,505	-3%
Equipment & Furniture	(354,411)	(83,605)	7,536	9,093	(346,875)	(74,512)	-366%
TOTAL	6,469,884	7,181,337	7,536	9,093	6,477,420	7,190,430	-10%

Long-Term Debt

At June 30, 2015, the District had \$5,064,891 in long-term debt outstanding. This represents a decrease of 18% from last year. (See Figure A-4)

Figure A-4

Outstanding Long-Term Obligations

	Total School District		Percentage Change
	2015	2014	2014-2015
	\$	\$	
Governmental Activities:			
General Obligation Bonds	3,325,000	3,510,000	-8%
Revenue Bonds-Statewide Sales Tax	145,000	285,000	-49%
Compensated Absences	-	80,710	-100%
Termination Benefits	83,529	50,000	67%
Net Pension Liability	1,358,754	2,043,499	-34%
Net OPEB Liability	56,750	79,267	-28%
	4,969,033	6,048,476	-18%
Business Type Activities:			
Net Pension Liability	95,858	144,167	-34%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of certain circumstances that could affect its future.

The school district is aware of the financial issues being faced by the State of Iowa. These State financial issues affect local school district funding.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lori McClenathan, District Treasurer and Bookkeeper/Business Manager, HLV Community School District, 402 5th St., Victor, Iowa, 52347.

BASIC FINANCIAL STATEMENTS

HLV COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2015

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash, cash equivalents and pooled investments	2,237,040	54,145	2,291,185
Receivables:			
Property tax:			
Delinquent	28,689	-	28,689
Succeeding year	2,327,831	-	2,327,831
Accounts	64,558	168	64,726
Internal balances	178,330	(178,330)	-
Due from other governments	223,533	3,512	227,045
Inventories	-	10,374	10,374
Prepaid expenses	10,369	-	10,369
Capital assets, net of accumulated depreciation	6,469,884	7,536	6,477,420
Total assets	11,540,234	(102,595)	11,437,639
Deferred Outflows of Resources			
Pension related deferred outflows	164,192	19,750	183,942
Liabilities			
Accounts payable	120,291	-	120,291
Salaries and benefits payable	352,864	904	353,768
Accrued interest payable	23,936	-	23,936
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	195,000	-	195,000
Revenue bonds payable	145,000	-	145,000
Termination benefits	83,529	-	83,529
Portion due after one year:			
General obligation bonds payable	3,130,000	-	3,130,000
Net pension liability	1,358,745	95,858	1,454,603
Net OPEB liability	56,750	-	56,750
Total liabilities	5,466,115	96,762	5,562,877
Deferred Inflows of Resources			
Unavailable property tax revenue	2,327,831	-	2,327,831
Pension related deferred inflows	518,187	44,724	562,911
Other	-	4,002	4,002
Total deferred inflows of resources	2,846,018	48,726	2,894,744

HLV COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2015

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net position			
Net investment in capital assets	2,999,884	7,536	3,007,420
Restricted for:			
Categorical funding	235,941	-	235,941
Management levy	348,570	-	348,570
Physical plant & equipment levy	437,929	-	437,929
School infrastructure	501,099	-	501,099
Student activities	53,138	-	53,138
Debt service	106,831	-	106,831
Unrestricted	(1,291,099)	(235,869)	(1,526,968)
Total net position	<u>3,392,293</u>	<u>(228,333)</u>	<u>3,163,960</u>

HLV COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for	Operating	Capital Grants,
		Services	Grants,	Contributions and
			Contributions	Restricted
			and Restricted	Interest
	\$	\$	Interest	Interest
			\$	\$
Governmental activities:				
Instruction:				
Regular	1,703,160	251,123	384,816	-
Special	425,369	19,493	38,514	-
Other	672,115	181,994	34,918	-
	<u>2,800,644</u>	<u>452,610</u>	<u>458,248</u>	<u>-</u>
Support services:				
Student	143,361	-	-	-
Instructional staff	42,540	-	-	-
Administration	677,867	-	-	-
Operation and maintenance of plant	368,563	-	-	-
Transportation	256,485	-	3,418	-
	<u>1,488,816</u>	<u>-</u>	<u>3,418</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	347,561	2,273	-	-
Long-term debt interest	151,546	-	-	-
AEA flowthrough	132,462	-	132,462	-
Depreciation (unallocated)*	423,784	-	-	-
	<u>1,055,353</u>	<u>2,273</u>	<u>132,462</u>	<u>-</u>
Total governmental activities	<u>5,344,813</u>	<u>454,883</u>	<u>594,128</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	183,106	132,258	77,103	-
Student construction project	-	669	-	-
Preschool	33,200	12,871	-	-
Marketing project	632	-	-	-
Total business-type activities	<u>216,938</u>	<u>145,798</u>	<u>77,103</u>	<u>-</u>
Total	<u>5,561,751</u>	<u>600,681</u>	<u>671,231</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net position

Net position beginning of year (restated)

Net position end of year

*This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,067,221)	-	(1,067,221)
(367,362)	-	(367,362)
(455,203)	-	(455,203)
<u>(1,889,786)</u>	<u>-</u>	<u>(1,889,786)</u>
(143,361)	-	(143,361)
(42,540)	-	(42,540)
(677,867)	-	(677,867)
(368,563)	-	(368,563)
(253,067)	-	(253,067)
<u>(1,485,398)</u>	<u>-</u>	<u>(1,485,398)</u>
(345,288)	-	(345,288)
(151,546)	-	(151,546)
-	-	-
(423,784)	-	(423,784)
(920,618)	-	(920,618)
<u>(4,295,802)</u>	<u>-</u>	<u>(4,295,802)</u>
-	26,255	26,255
-	669	669
-	(20,329)	(20,329)
-	(632)	(632)
<u>-</u>	<u>5,963</u>	<u>5,963</u>
<u>(4,295,802)</u>	<u>5,963</u>	<u>(4,289,839)</u>
1,527,079	-	1,527,079
403,241	-	403,241
253,640	-	253,640
176,203	-	176,203
307,876	-	307,876
1,232,653	-	1,232,653
10,273	31	10,304
141,156	-	141,156
<u>4,052,121</u>	<u>31</u>	<u>4,052,152</u>
(243,681)	5,994	(237,687)
<u>3,635,974</u>	<u>(234,327)</u>	<u>3,401,647</u>
<u>3,392,293</u>	<u>(228,333)</u>	<u>3,163,960</u>

HLV COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2015

	General	Management	Debt Service	Capital Projects	Nonmajor Student Activity	Total
	\$	\$	\$	\$	\$	\$
Assets						
Cash, cash equivalents and pooled investments	700,292	430,300	125,601	933,982	46,865	2,237,040
Receivables:						
Property tax:						
Delinquent	18,502	1,799	5,166	3,222	-	28,689
Succeeding year	1,579,745	150,000	339,117	258,969	-	2,327,831
Accounts	58,092	-	-	-	6,466	64,558
Prepaid expenses	10,369	-	-	-	-	10,369
Interfund receivable	178,330	-	-	22,835	-	201,165
Due from other governments	175,743	-	-	47,790	-	223,533
Total assets	2,721,073	582,099	469,884	1,266,798	53,331	5,093,185
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Interfund payable	-	-	-	22,835	-	22,835
Accounts payable	74,132	-	-	45,966	193	120,291
Salaries and benefits payable	352,864	-	-	-	-	352,864
Total liabilities	<u>426,996</u>	<u>-</u>	<u>-</u>	<u>68,801</u>	<u>193</u>	<u>495,990</u>
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	1,579,745	150,000	339,117	258,969	-	2,327,831
Income surtax	157,872	-	-	-	-	157,872
Total	<u>1,737,617</u>	<u>150,000</u>	<u>339,117</u>	<u>258,969</u>	<u>-</u>	<u>2,485,703</u>
Fund balances:						
Nonspendable:						
Prepaid expenses	10,369	-	-	-	-	10,369
Restricted for:						
Categorical funding	235,941	-	-	-	-	235,941
Microsoft	1,711	-	-	-	-	1,711
Debt service	-	-	130,767	-	-	130,767
Management levy	-	432,099	-	-	-	432,099
Student activities	-	-	-	-	53,138	53,138
School infrastructure	-	-	-	501,099	-	501,099
Physical plant and equipment	-	-	-	437,929	-	437,929
Unassigned	308,439	-	-	-	-	308,439
Total fund balances	<u>556,460</u>	<u>432,099</u>	<u>130,767</u>	<u>939,028</u>	<u>53,138</u>	<u>2,111,492</u>
Total liabilities, deferred inflows of resources and fund balances	2,721,073	582,099	469,884	1,266,798	53,331	5,093,185

See notes to financial statements.

HLV COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

June 30, 2015

		\$
Total fund balances of governmental funds (Exhibit C)		2,111,492
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		6,469,884
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		157,872
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.		(23,936)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	164,192	
Deferred inflows of resources	<u>(518,187)</u>	(353,995)
Long-term liabilities, including bonds payable, compensated absences, other postemployment benefits and net pension liability, are not due and payable in the current year and therefore, are not reported as liabilities in the governmental funds.		<u>(4,969,024)</u>
Net position of governmental activities (Exhibit A)		<u><u>3,392,293</u></u>

HLV COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2015

	General	Management	Debt Service	Capital Projects	Nonmajor Student Activity	Total
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	1,558,604	140,901	403,241	253,640	-	2,356,386
Tuition	138,563	-	-	-	-	138,563
Other	134,609	5,575	-	5,494	183,012	328,690
State sources	1,699,821	-	-	307,876	-	2,007,697
Federal sources	126,960	-	-	-	-	126,960
Total revenues	<u>3,658,557</u>	<u>146,476</u>	<u>403,241</u>	<u>567,010</u>	<u>183,012</u>	<u>4,958,296</u>
Expenditures:						
Current:						
Instruction:						
Regular	1,505,802	53,825	-	212,471	-	1,772,098
Special	428,586	-	-	-	-	428,586
Other	485,195	-	-	-	189,601	674,796
	<u>2,419,583</u>	<u>53,825</u>	<u>-</u>	<u>212,471</u>	<u>189,601</u>	<u>2,875,480</u>
Support services:						
Student	144,433	-	-	-	-	144,433
Instructional staff	43,076	-	-	-	-	43,076
Administration	557,103	110,709	1,000	-	-	668,812
Operation and maintenance of plant	366,476	-	-	5,231	-	371,707
Transportation	190,114	12,799	-	101,989	-	304,902
	<u>1,301,202</u>	<u>123,508</u>	<u>1,000</u>	<u>107,220</u>	<u>-</u>	<u>1,532,930</u>
Other expenditures:						
Facilities acquisition	-	-	-	3,213	-	3,213
Long-term debt:						
Principal	-	-	325,000	-	-	325,000
Interest and fiscal charges	-	-	159,347	-	-	159,347
AEA flowthrough	132,462	-	-	-	-	132,462
	<u>132,462</u>	<u>-</u>	<u>484,347</u>	<u>3,213</u>	<u>-</u>	<u>620,022</u>
Total expenditures	<u>3,853,247</u>	<u>177,333</u>	<u>485,347</u>	<u>322,904</u>	<u>189,601</u>	<u>5,028,432</u>
Excess (deficiency) of revenues (under) expenditures	<u>(194,690)</u>	<u>(30,857)</u>	<u>(82,106)</u>	<u>244,106</u>	<u>(6,589)</u>	<u>(70,136)</u>
Other financing sources (uses):						
Transfers in	-	-	147,869	-	-	147,869
Transfers out	-	-	-	(147,869)	-	(147,869)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>147,869</u>	<u>(147,869)</u>	<u>-</u>	<u>-</u>
Change in fund balances	<u>(194,690)</u>	<u>(30,857)</u>	<u>65,763</u>	<u>96,237</u>	<u>(6,589)</u>	<u>(70,136)</u>
Fund balances beginning of year	<u>751,150</u>	<u>462,956</u>	<u>65,004</u>	<u>842,791</u>	<u>59,727</u>	<u>2,181,628</u>
Fund balances end of year	<u>556,460</u>	<u>432,099</u>	<u>130,767</u>	<u>939,028</u>	<u>53,138</u>	<u>2,111,492</u>

See notes to financial statements.

HLV COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2015

	\$	\$
Change in fund balances - total governmental funds (Exhibit E)		(70,136)

***Amounts reported for governmental activities in the
Statement of Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense, loss on disposal of assets and capital outlay expenditures in the current year are as follows:

Loss on disposal of assets	(347,561)	
Expenditures for capital assets	152,861	
Depreciation expense	<u>(516,753)</u>	(711,453)

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.

3,777

Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

325,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

7,801

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.

205,213

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Termination benefits	(33,529)	
Compensated absences	80,710	
Pension expense	(74,653)	
Other postemployment benefits	<u>23,589</u>	<u>(3,883)</u>

Changes in net position of governmental activities (Exhibit B)		<u><u>(243,681)</u></u>
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HLV COMMUNITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Fund

June 30, 2015

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Current assets:	
Cash and cash equivalents	54,145
Accounts receivable	168
Due from other governments	3,512
Inventories	10,374
Total current assets	<u>68,199</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>7,536</u>
Total assets	<u>75,735</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>19,750</u>
Liabilities	
Current liabilities:	
Interfund payables	178,330
Salaries and benefits payable	904
Deferred revenue	4,002
Total current liabilities	<u>183,236</u>
Noncurrent liabilities:	
Net pension liability	<u>95,858</u>
Total liabilities	<u>279,094</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>44,724</u>
Net position	
Investment in capital assets	7,536
Unrestricted	<u>(235,869)</u>
Total net position	<u><u>(228,333)</u></u>

HLV COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund

Year ended June 30, 2015

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>145,798</u>
Operating expenses:	
Non-instructional programs:	
Salaries	114,116
Benefits	10,426
Purchased services	261
Supplies	90,578
Depreciation	1,557
Total operating expenses	<u>216,938</u>
Operating income (loss)	<u>(71,140)</u>
Non-operating revenues:	
State sources	1,542
Federal sources	75,561
Interest income	31
Total non-operating revenues	<u>77,134</u>
Change in net position	5,994
Net position beginning of year, as restated	<u>(234,327)</u>
Net position end of year	<u><u>(228,333)</u></u>

HLV COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2015

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	132,969
Cash received from other services	13,925
Cash paid to employees for services	(133,959)
Cash paid to suppliers for goods or services	(77,424)
Net cash used by operating activities	<u>(64,489)</u>
Cash flows from non-capital financing activities:	
Interfund loans	50,974
State grants received	1,542
Federal grants received	59,008
Net cash provided by non-capital financing activities	<u>111,524</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>31</u>
Net increase (decrease) in cash and cash equivalents	47,066
Cash and cash equivalents at beginning of year	<u>7,079</u>
Cash and cash equivalents at end of year	<u><u>54,145</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(71,140)
Adjustments to reconcile operating income (loss)	
to net cash used by operating activities:	
Commodities used	16,553
Depreciation	1,557
Decrease (increase) in inventories	(2,364)
Decrease (increase) in accounts receivable	654
(Decrease) increase in accounts payable	(774)
(Decrease) increase in salaries and benefits payable	(206)
(Decrease) increase in deferred revenue	442
Decrease in net pension liability	(48,309)
Increase in deferred outflows of resources	(5,626)
Increase in deferred inflows of resources	44,724
Net cash used by operating activities	<u><u>(64,489)</u></u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$16,553 of federal commodities.

HLV COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2015

	Private Purpose Trust Scholarship	Agency
	\$	\$
Assets		
Cash, cash equivalents and pooled investments	256,713	11,303
Liabilities		
Other current liabilities	-	11,303
Net Position		
Reserved for scholarships	256,713	-

HLV COMMUNITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2015

	Private Purpose Trust Scholarship <u>\$</u>
Additions	
Local sources:	
Gifts and contributions	11,630
Interest	<u>883</u>
Total additions	<u>12,513</u>
Deductions	
Support services:	
Scholarships awarded	<u>14,380</u>
Change in net position	(1,867)
Net position beginning of year	<u>258,580</u>
Net position end of year	<u><u>256,713</u></u>

HLV COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

1. Summary of Significant Accounting Policies

HLV Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Victor, Hartwick, and Ladora, Iowa and the predominately agricultural territory in a portion of Iowa and Poweshiek Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, HLV Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The HLV Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements . Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instruction, support and other costs.

The Management Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the management property tax levy.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District's proprietary fund includes the following Enterprise Funds: 1) the School Nutrition Fund is used to account for the food service operations of the District, 2) the Preschool Fund is used to account for an educational program for students in the year prior to attending kindergarten, 3) the Marketing Project Fund is used to account for the revenues and expenses of a class activity, and 4) the Student House Construction Fund is used to account for the sale of and costs of a house constructed by students. The Student House Construction Funds is a major fund.

The District also reports fiduciary funds, which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted, net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the district's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications . committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable . Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets . Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	500
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-20 years
Intangibles	3-10 years
Furniture and equipment	3-15 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Deferred Outflows of Resources . Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Salaries and Benefits Payable . Payroll and related expenditures for certified staff with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances from Grantors . Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities . In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions . For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees Retirement System (IPERS) and additions to/deductions from IPERS fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources . Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not

collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity . In the governmental fund financial statements fund balances are classified as follows:

Restricted . Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned . All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures did not exceed the amended amounts budgeted.

2. **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$92,995 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAm by Standard & Poor's Financial Services.

3. **Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
Capital Projects LOST	PPEL	22,835
General Fund	Enterprise Preschool Fund	23,647
General Fund	Enterprise, Student House Fund	97,231
General Fund	Enterprise, School Nutrition Fund	57,452

The interfund receivable/payables are loans to the various funds which are to be repaid in the next fiscal year.

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer To	Transfer From	Amount
		\$
Debt Service	Capital Projects	147,869

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

5. Capital Assets

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	10,000	-	-	10,000
Construction in progress	-	-	-	-
Total capital assets not being depr.	10,000	-	-	10,000
Capital assets being depreciated:				
Buildings	10,655,320	-	31,750	10,623,570
Improvements other than buildings	498,599	11,712	-	510,311
Furniture and equipment	777,610	141,149	318,183	600,576
Total capital assets being deprec.	11,931,529	152,861	349,933	11,734,457
Less accumulated depreciation for:				
Buildings	3,749,883	400,251	3,175	4,146,959
Improvements other than buildings	149,094	23,533	-	172,627
Furniture and equipment	861,215	92,969	(803)	954,987
Total accumulated depreciation	4,760,192	516,753	2,372	5,274,573
Total capital assets being depreciated, net	7,171,337	(363,892)	347,561	6,459,884
Governmental activities capital assets, net	7,181,337	(363,892)	347,561	6,469,884
Business type activities:				
Furniture and equipment	54,815	-	-	54,815
Less accumulated depreciation	45,722	1,557	-	47,279
Business type activities capital assets, net	9,093	(1,557)	-	7,536

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	25,036
Regular	-
Support services:	
Administration services	11,736
Operation and Maintenance	2,089
Transportation	54,108
	92,969
Unallocated depreciation	423,784
Total depreciation expense . governmental activities	516,753
Business type activities:	
Food services	1,557

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	3,510,000	-	185,000	3,325,000	195,000
Revenue bonds-statewide sales tax	285,000	-	140,000	145,000	145,000
Compensated absences	80,710	-	80,710	-	-
Termination Benefits	50,000	83,529	50,000	83,529	83,529
Net pension liability	2,043,499	-	684,745	1,358,754	-
Net OPEB liability	79,267	-	22,517	56,750	-
Total	6,048,476	83,529	1,162,972	4,969,033	423,529
Business type activities:					
Net pension liability	144,167	-	48,309	95,858	-

Termination Benefits

The District offered a voluntary early retirement plan for employees during fiscal year 2013. The plan was only offered to employees for one year. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

At June 30, 2015, the District has obligations to two participants with a total liability of \$83,529. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$50,000.

General Obligation Bonds Payable

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Bond Issue of May, 2008				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2016	4.25	195,000	143,615	338,615
2017	4.25	205,000	135,328	340,328
2018	4.25	215,000	126,615	341,615
2019	4.30	225,000	117,478	342,478
2020	4.30	230,000	107,803	337,803
2021-2025	4.30	1,320,000	380,772	1,700,772
2026-2028	4.30-4.45	935,000	83,717	1,018,717
		<u>3,325,000</u>	<u>1,095,328</u>	<u>4,420,328</u>

Revenue Bonds Payable

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Bond Issue of June 26, 2008				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2016	3.66	<u>145,000</u>	<u>5,308</u>	<u>150,308</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,100,000 bonds issued on June 26, 2008. The bonds were issued for the purpose of financing a portion of the costs of additions and renovations to the school facilities. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2016. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 70% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$150,308. For the current year, \$140,000 of principal and \$10,432 of interest was paid on the bonds and the total statewide sales, services and use tax revenues were \$237,251.

7. Pension Plan

Plan Description . IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits . A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefits includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits . A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions . Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the entry age normal actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$219,691.

Net Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions . At June 30, 2015, the District reported a liability of \$1,454,603 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.036678 percent, which was an decrease of 0.001424 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$79,920. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of Resources	Deferred Inflows of Resources
	\$	\$
Differences between expected and actual experience	15,809	-
Changes in assumptions	64,195	-
Net difference between projected and actual earnings on pension plan investments	-	554,744
Change in proportion and differences between District contributions and proportionate share of contributions	(123,920)	-
District contributions subsequent to the measurement date	219,691	-
Total	175,775	554,744

\$219,691 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	\$
2016	(148,947)
2017	(148,947)
2018	(148,947)
2019	(148,947)
2020	(2,872)
Total	(598,660)

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions . The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These

ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
	%	
US Equity	23	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100	

Discount Rate . The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate . The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
	\$	\$	\$
District proportionate share of the net pension liability	2,748,432	1,454,603	362,478

Pension Plan Fiduciary Net Position . Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS's website at www.ipers.org.

Payables to the Pension Plan . At June 30, 2015, the District reported no payables to the defined benefit pension plan for legally required employer contributions or for legally required employee contributions.

8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 42 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount determined by the Iowa School Finance Information Services using ACOPEB.com software, in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	11,124
Interest on net OPEB obligation	5,594
Adjustment to annual required contribution	(5,298)
Annual OPEB cost	11,420
Contributions made	33,937
Increase in net OPEB obligation	(22,517)
Net OPEB obligation beginning of year	79,267
Net OPEB obligation end of year	56,750

For calculation of the net OPEB obligation, the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by ACOPEB.com software and used the cumulative difference between the ACOPEB.com software determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$33,937 to the medical plan. Plan members eligible for benefits contributed \$69,491 of the premium costs, or 100% of the premiums.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
2010	79,000	41.77%	46,000
2011	79,749	48.90%	86,749
2012	79,552	52.80%	124,301
2013	11,420	297.17%	101,784
2014	11,420	297.17%	79,267
2015	11,420	297.17%	56,750

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$110,446, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$110,446. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,865,000, and the ratio of the UAAL to covered payroll was 5.9%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The medical insurance premium increases are 4.5% per year and should be reasonable comparable with those found in the National Health Care Expenditures Projections of the Office of the actuary at the Centers for Medicare and Medicaid Services in 2007.

Mortality rates by gender come from the Life Expectancy Table from National Center for Health Statistics updated in 2008. Annual retirement and termination probabilities came from Table 1 in GASB Statement 45.

The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

9. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$132,462 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
	\$
State aid funding supplement	37,644
Mentoring	805
Early readers	22,281
Teacher salary supplement	48,260
Educator quality, professional development	42,983
Teacher leadership	4,262
Returning dropout and dropout prevention program	12,200
Preschool	67,506
	<u>235,941</u>

12. Deficit Fund Balances

At June 30, 2015 the District had deficit unrestricted net position balances in the Enterprise School Nutrition Fund, Enterprise Preschool Fund and Enterprise Student House Construction Fund of \$68,446, \$71,248 and \$95,893 respectively.

13. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions . an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities
	\$	\$
Net position June 30, 2014, as previously reported	5,479,274	(104,284)
Net pension liability at June 30, 2014	(2,043,499)	(144,167)
Deferred outflows of resources		
Related to contributions made after the June 30, 2013 measurement date	200,199	14,124
Net position July 1, 2014, as restated	<u>3,635,974</u>	<u>(234,327)</u>

REQUIRED SUPPLEMENTARY INFORMATION

HLV COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2015

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	\$	\$	\$	Original \$	Amended Final \$	\$
Revenues						
Local sources	2,823,639	145,829	2,969,468	3,133,938	3,133,938	(164,470)
State sources	2,007,697	1,542	2,009,239	1,682,904	1,682,904	326,335
Federal sources	126,960	75,561	202,521	189,000	189,000	13,521
Total revenues	<u>4,958,296</u>	<u>222,932</u>	<u>5,181,228</u>	<u>5,005,842</u>	<u>5,005,842</u>	<u>175,386</u>
Expenditures/Expenses:						
Instruction	2,875,480	-	2,875,480	2,851,000	3,000,000	124,520
Support services	1,532,930	-	1,532,930	1,760,500	1,900,000	367,070
Non-instructional programs	-	216,938	216,938	184,100	250,000	33,062
Other expenditures	620,022	-	620,022	905,563	905,563	285,541
Total expenditures/expenses	<u>5,028,432</u>	<u>216,938</u>	<u>5,245,370</u>	<u>5,701,163</u>	<u>6,055,563</u>	<u>810,193</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(70,136)	5,994	(64,142)	(695,321)	(1,049,721)	985,579
Balance beginning of year	<u>2,181,628</u>	<u>(234,327)</u>	<u>1,947,301</u>	<u>1,448,032</u>	<u>1,448,032</u>	<u>499,269</u>
Balance end of year	<u><u>2,111,492</u></u>	<u><u>(228,333)</u></u>	<u><u>1,883,159</u></u>	<u><u>752,711</u></u>	<u><u>398,311</u></u>	<u><u>1,484,848</u></u>

HLV COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$354,400.

During the year ended June 30, 2015, expenditures did not exceed the amended amount budgeted.

HLV COMMUNITY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.036678%
District's proportionate share of the net pension liability	1,454,603
District's covered-employee payroll	2,460,148
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	59.13%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is

HLV COMMUNITY SCHOOL DISTRICT

Schedule of District Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Statutorily required contribution	219,691	214,323	216,659	197,843	176,326	158,567	146,437	137,612	119,102	117,279
Contributions in relation to the statutorily required contribution	<u>219,691</u>	<u>214,323</u>	<u>216,659</u>	<u>197,843</u>	<u>176,326</u>	<u>158,567</u>	<u>146,437</u>	<u>137,612</u>	<u>119,102</u>	<u>117,279</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	2,460,148	2,400,029	2,498,951	2,451,580	2,537,065	2,384,466	2,306,094	2,274,579	2,071,339	2,039,635
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

HLV COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decrease the inflation assumption from 3.25 percent to 3.00 percent.
- Decrease the assumed rate of interest on member accounts from 4.00 percent to 3.75% percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL. UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

HLV COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Pension Liability

Year ended June 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

Adjusted salary increase assumptions to service based assumptions.

Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.

Lowered the inflation assumption from 3.50 percent to 3.25 percent.

Lowered disability rates for sheriffs and deputies and protection occupation members.

HLV COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	1,061,000	1,061,000	0.0%	1,650,000	64.3%
2011	July 1, 2009	-	1,061,000	1,061,000	0.0%	1,464,000	72.5%
2012	July 1, 2009	-	1,061,000	1,061,000	0.0%	1,099,000	96.5%
2013	July 1, 2012	-	110,446	110,446	0.0%	1,920,000	5.8%
2014	July 1, 2012	-	110,446	110,446	0.0%	1,811,000	6.1%
2015	July 1, 2012	-	110,446	110,446	0.0%	1,865,000	5.9%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

HLV COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Position
Nonmajor Enterprise Funds

June 30, 2015

	Enterprise Funds				Total Nonmajor Enterprise Funds
	Nutrition	Preschool	Marketing Project	Student House Construction	
	\$	\$	\$	\$	\$
Assets					
Current assets:					
Cash, cash equivalents and pooled investments	49,562	3,527	(282)	1,338	54,145
Accounts receivable	168	-	-	-	168
Due from other governments	-	3,512	-	-	3,512
Inventories	10,374	-	-	-	10,374
Total Current Assets	60,104	7,039	(282)	1,338	68,199
Noncurrent assets:					
Capital assets, net of accumulated depreciation	7,536	-	-	-	7,536
Total assets	67,640	7,039	(282)	1,338	75,735
Deferred Outflows of Resources					
Pension related deferred outflows	10,819	8,931	-	-	19,750
Liabilities					
Current liabilities:					
Interfund payables	57,452	23,647	-	97,231	178,330
Salaries and benefits payable	904	-	-	-	904
Deferred revenue	4,002	-	-	-	4,002
Total current liabilities	62,358	23,647	-	97,231	183,236
Noncurrent liabilities:					
Net Pension liability	52,511	43,347	-	-	95,858
Total liabilities	114,869	66,994	-	97,231	279,094
Deferred Inflows of Resources					
Pension related deferred inflows	24,500	20,224	-	-	44,724
Net position					
Invested in capital assets	7,536	-	-	-	7,536
Unrestricted	(68,446)	(71,248)	(282)	(95,893)	(235,869)
Total net position	(60,910)	(71,248)	(282)	(95,893)	(228,333)

HLV COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Enterprise Funds

Year ended June 30, 2015

	Enterprise Funds				Total Nonmajor Enterprise Funds
	Nutrition	Preschool	Marketing Project	Student Construction	
	\$	\$	\$	\$	\$
Operating revenues:					
Local sources:					
Charges for service	132,258	12,871	-	669	145,798
Operating expenses:					
Non-instructional programs:					
Salaries	85,230	28,886	-	-	114,116
Benefits	9,830	596	-	-	10,426
Purchased services	261	-	-	-	261
Supplies	86,228	3,718	632	-	90,578
Depreciation	1,557	-	-	-	1,557
Total operating expenses	183,106	33,200	632	-	216,938
Operating income (loss)	(50,848)	(20,329)	(632)	669	(71,140)
Non-operating revenues:					
State sources	1,542	-	-	-	1,542
Federal sources	75,561	-	-	-	75,561
Interest income	31	-	-	-	31
Total non-operating revenues	77,134	-	-	-	77,134
Change in net position	26,286	(20,329)	(632)	669	5,994
Net position beginning of year (restated)	(87,196)	(50,919)	350	(96,562)	(234,327)
Net position end of year	(60,910)	(71,248)	(282)	(95,893)	(228,333)

HLV COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2015

	Enterprise Funds				Total Nonmajor Enterprise Funds
	Nutrition	Preschool	Marketing Project	Student Construction	
	\$	\$	\$	\$	\$
Cash flows from operating activities:					
Cash received from sale of lunches and breakfasts	132,969	-	-	-	132,969
Cash received from other services	-	13,256	-	669	13,925
Cash paid to employees for services	(100,312)	(33,647)	-	-	(133,959)
Cash paid to suppliers for goods or services	(72,300)	(4,492)	(632)	-	(77,424)
Net cash (used) provided by operating activities	<u>(39,643)</u>	<u>(24,883)</u>	<u>(632)</u>	<u>669</u>	<u>(64,489)</u>
Cash flows from non-capital financing activities:					
Loans from (repaid) to other funds	27,327	23,647	-	-	50,974
State grants received	1,542	-	-	-	1,542
Federal grants received	59,008	-	-	-	59,008
Net cash provided by non-capital financing activities	<u>87,877</u>	<u>23,647</u>	<u>-</u>	<u>-</u>	<u>111,524</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:					
Interest on investments	31	-	-	-	31
Net increase (decrease) in cash and cash equivalents	48,265	(1,236)	(632)	669	47,066
Cash and cash equivalents at beginning of year	1,297	4,763	350	669	7,079
Cash and cash equivalents at end of year	<u>49,562</u>	<u>3,527</u>	<u>(282)</u>	<u>1,338</u>	<u>54,145</u>
Reconciliation of operating income (loss) to net cash used by operating activities:					
Operating income (loss)	(50,848)	(20,329)	(632)	669	(71,140)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:					
Commodities used	16,553	-	-	-	16,553
Depreciation	1,557	-	-	-	1,557
Decrease (increase) in inventories	(2,364)	-	-	-	(2,364)
Decrease (increase) in accounts receivable	269	385	-	-	654
(Decrease) increase in accounts payable	-	(774)	-	-	(774)
(Decrease) increase in salaries and benefits payable	(206)	-	-	-	(206)
(Decrease) increase in deferred revenue	442	-	-	-	442
Decrease in net pension liability	(26,464)	(21,845)	-	-	(48,309)
Increase in deferred outflows of resources	(3,082)	(2,544)	-	-	(5,626)
Increase in deferred inflows of resources	24,500	20,224	-	-	44,724
Net cash (used) provided by operating activities	<u>(39,643)</u>	<u>(24,883)</u>	<u>(632)</u>	<u>669</u>	<u>(64,489)</u>

HLV COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2015

Assets	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Cash, cash equivalents and pooled investments	430,474	503,508	933,982
Receivables:			
Property tax:			
Delinquent	-	3,222	3,222
Succeeding year	-	258,969	258,969
Interfund receivable	22,835	-	22,835
Due from other governments	47,790	-	47,790
Total assets	<u>501,099</u>	<u>765,699</u>	<u>1,266,798</u>
Liabilities, Deferred Inflows of Resources & Fund Balances			
Liabilities:			
Accounts payable	-	45,966	45,966
Interfund payables	-	22,835	22,835
Total liabilities	<u>-</u>	<u>68,801</u>	<u>68,801</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	<u>-</u>	<u>258,969</u>	<u>258,969</u>
Fund balances:			
Restricted for:			
School infrastructure	501,099	-	501,099
Physical plant and equipment	-	437,929	437,929
Total fund balances	<u>501,099</u>	<u>437,929</u>	<u>939,028</u>
Total liabilities, deferred inflows of resources and fund balances	<u>501,099</u>	<u>765,699</u>	<u>1,266,798</u>

HLV COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Projects Accounts

Year ended June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	-	253,640	253,640
Other	-	5,494	5,494
State sources	307,876	-	307,876
Total revenues	<u>307,876</u>	<u>259,134</u>	<u>567,010</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	-	212,471	212,471
Support services:			
Operation and maintenance of plant	-	5,231	5,231
Transportation services	-	101,989	101,989
Other expenditures:			
Facilities acquisition	-	3,213	3,213
Total expenditures	<u>-</u>	<u>322,904</u>	<u>322,904</u>
Excess (deficiency) of revenues over (under) expenditures	<u>307,876</u>	<u>(63,770)</u>	<u>244,106</u>
Other financing sources (uses):			
Transfers out	<u>(147,869)</u>	<u>-</u>	<u>(147,869)</u>
Change in fund balance	160,007	(63,770)	96,237
Fund balances beginning of year	<u>341,092</u>	<u>501,699</u>	<u>842,791</u>
Fund balance end of year	<u><u>501,099</u></u>	<u><u>437,929</u></u>	<u><u>939,028</u></u>

HLV COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Speech and drama	1,294	1,753	30	3,017
Music	106	495	358	243
Athletic	14,584	86,077	87,492	13,169
Art	926	155	-	1,081
Clubs and organizations	1,325	18,798	10,964	9,159
Annual	(2,146)	6,699	4,553	-
Student council	1,000	2,587	2,420	1,167
Interest	95	91	-	186
Recreation program	2,122	1,703	2,571	1,254
German club	3,086	6,691	2,101	7,676
National Honor Society	962	557	828	691
Pep club	4,043	3,928	4,805	3,166
Towel service	1,855	948	2,793	10
Washington trip	18,838	41,729	60,565	2
Win with wellness	676	-	-	676
Miscellaneous	78	226	304	-
Library	3,457	923	892	3,488
Special olympics	4,959	237	-	5,196
Pop machine	-	2,359	2,319	40
Sale of supplies	266	-	266	-
Elementary	1,484	1,525	774	2,235
Insurance	296	148	444	-
Class of 2015	277	4,482	4,222	537
Class of 2014	144	901	900	145
Total	<u>59,727</u>	<u>183,012</u>	<u>189,601</u>	<u>53,138</u>

HLV COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2015

	Employee Flex	Flower Fund	Employee Health	Total
	\$	\$	\$	\$
Balance beginning of year	6,439	181	4,759	11,379
Additions:				
Collections	5,037	-	22,115	27,152
Deductions:				
Miscellaneous	5,465	-	21,763	27,228
Balance end of year	<u>6,011</u>	<u>181</u>	<u>5,111</u>	<u>11,303</u>

HLV COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Ten Years

	Modified Accrual Basis									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	2,356,386	2,349,716	2,263,333	2,441,185	2,317,391	2,317,990	2,292,857	2,001,778	1,994,917	1,962,267
Tuition	138,563	157,571	129,916	161,503	135,751	135,749	100,199	115,072	111,951	87,560
Other	328,690	428,585	426,334	475,926	842,142	436,968	377,518	410,967	378,772	193,691
State sources	2,007,697	1,795,817	1,850,158	1,782,026	1,764,970	1,483,153	1,833,136	1,703,191	1,682,268	1,658,599
Federal sources	126,960	105,633	177,675	210,559	157,679	382,630	152,029	85,030	130,947	144,547
Total revenues	<u>4,958,296</u>	<u>4,837,322</u>	<u>4,847,416</u>	<u>5,071,199</u>	<u>5,217,933</u>	<u>4,756,490</u>	<u>4,755,739</u>	<u>4,316,038</u>	<u>4,298,855</u>	<u>4,046,664</u>
Expenditures:										
Instruction:										
Regular instruction	1,772,098	1,599,847	1,639,357	1,714,435	1,804,076	1,585,464	1,746,668	1,574,919	1,500,444	1,475,757
Special instruction	428,586	378,032	428,346	462,793	446,293	467,388	369,782	442,095	456,836	346,172
Other instruction	674,796	584,835	568,271	550,029	608,795	407,612	337,776	314,210	358,033	344,069
Support services:										
Student services	144,433	121,150	113,541	105,316	93,684	108,418	86,505	79,985	79,206	93,066
Instructional staff services	43,076	36,631	3,879	61,568	66,618	60,395	53,557	52,702	53,468	118,979
Administration services	668,812	708,260	662,760	650,210	586,327	591,424	655,536	554,254	508,497	465,348
Operation and maintenance	371,707	366,206	345,284	362,317	474,122	438,769	327,038	337,387	339,817	322,761
Transportation services	304,902	264,819	198,639	246,326	309,609	181,806	152,537	204,968	173,956	177,452
Other expenditures:										
Facilities acquisition	3,213	44,417	291,718	179,647	458,123	1,177,599	5,393,090	456,362	276,101	137,633
Long-term debt:										
Principal	325,000	325,000	350,000	335,000	325,000	310,000	145,000	24,404	-	-
Interest and other charges	159,347	174,866	185,505	202,443	212,162	242,798	213,805	-	-	-
AEA flowthrough	132,462	129,618	126,661	128,555	145,533	144,315	134,416	128,206	126,596	122,216
Total expenditures	<u>5,028,432</u>	<u>4,733,681</u>	<u>4,913,961</u>	<u>4,998,639</u>	<u>5,530,342</u>	<u>5,715,988</u>	<u>9,615,710</u>	<u>4,169,492</u>	<u>3,872,954</u>	<u>3,603,453</u>

See accompanying independent auditor's report.

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Independent Auditor's Report on Internal Control
Over Financial Reporting and on compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
HLV Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of HLV Community School District and of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 10, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered HLV Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HLV Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of HLV Community School District's Internal Control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Responses as items 15-I-A and 15-I-B to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HLV Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express

such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Finding and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

HLV Community School District's Responses to the Findings

HLV Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. HLV Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of HLV Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

May 10, 2016

HLV COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2015

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

15-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, payroll processing, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation: We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

15-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time, it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

HLV COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting:

- 15-II-A Certified Budget: Expenditures for the year ended June 30, 2015 did not exceed the amended certified budget amounts.
- 15-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 15-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 15-II-D Business Transactions: We noted no transactions between the District and District officials or employees.
- 15-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 15-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- 15-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 15-II-H Supplementary Weighting: No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- 15-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 15-II-J Certified Annual Report (CAR): The District's Certified Annual Report was certified to the Iowa Department of Education timely.
- 15-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 15-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the following information includes the amounts reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2015 audit:

HLV COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting (continued):

		\$	\$
	Beginning balance		341,092
	Revenues/transfers in:		
	Statewide sales, services and use tax revenue		307,876
	Expenditures/transfers out		<u>(147,869)</u>
	Ending balance		<u>501,099</u>
15-II-M	<u>Financial Condition:</u> The Enterprise School Nutrition Fund, Preschool Fund and School Construction Funds have deficit balances at June 30, 2015.		
	<u>Recommendation:</u> The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.		
	<u>District Response:</u> We are working on ways to eliminate the deficits. The District has eliminated the 3-year old Preschool for the 2016-2017 school year.		
	<u>Conclusion:</u> Response accepted.		
15-II-N	<u>Reclassification of Student Activity Fund Accounts:</u> There are some accounts in the Student Activity Fund that may belong more appropriately in other funds.		
	<u>Recommendation:</u> We recommend these accounts be reviewed and transferred to the proper fund.		
	<u>District Response:</u> We will review the accounts and make any necessary adjustments.		
	<u>Conclusion:</u> Response accepted.		
15-II-O	<u>Interfund loans:</u> On October 22, 2009 the Iowa Department of Education issued a declaratory order covering interfund loans. The Order states that all loans between funds must be approved by the board of directors, interest must be paid on the interfund loans and the loans must be repaid before the October 1, after each year-end.		
	<u>Recommendation:</u> The District should follow the declaratory order with respect to the interfund loans that are listed in Note 3 to the financial statements and any future interfund loans.		
	<u>District Response:</u> We will review our procedures for interfund loans and will follow the declaratory order. The Nutrition Fund paid the General Fund by October 1. The Preschool loan was not paid to the General Fund as the funds were not available.		
	<u>Conclusion:</u> Response accepted.		